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RUEHHK/AMCONSUL HONG KONG 8179
RUEHGH/AMCONSUL SHANGHAI 1171
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001385

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SUBJECT: AUSTR STRATFORD OUTLINES TRADE AGENDA WITH
ECONOMIC AFFAIRS MINISTER

Classified By: AIT DIRECTOR STEPHEN M. YOUNG FOR REASONS 1.4 (b), (d)

1.(C) SUMMARY. In a June 14 meeting with Economic Affairs Minister Steve Chen, AUSTR Timothy Stratford stressed the importance of Taiwan cooperation in paving the way for successful July 10-11 TIFA talks in Washington. Of the three proposed bilateral agreements under the TIFA framework, Stratford identified investment as the strongest candidate for a positive announcement to begin negotiations after the July talks, but stressed that prospects depended on the size of Taiwan's exclusion list (relayed on June 15 and e-mailed to the Department and USTR). Since a bilateral government procurement agreement (GPA) would be especially difficult for the U.S. to negotiate, Stratford urged Taiwan to take a fresh look at WTO GPA accession. Stratford stressed the importance of Taiwan following a science-based approach in facilitating beef imports. Chen reiterated Taiwan's hopes for rapid progress in concluding TIFA agreements, and indicated that Office of Trade Negotiations Chief Representative John Deng would head Taiwan's TIFA team. END SUMMARY.

2.(U) Assistant United States Trade Representative (AUSTR) Timothy Stratford was accompanied by Deputy Assistant USTR Eric Altbach, AIT/W Trade and Commercial Programs Director Rick Ruzicka, Acting Deputy Director, and Econ Chief. Minister of Economic Affairs Steve Chen (Ruey-Long) was joined by MEA Second Bilateral Trade Division Director Robert H.M. Leng and Department of Investment Services Senior Commercial Specialist Shu-Mei Yang.

CONDITIONS FOR LAUNCHING INVESTMENT AGREEMENT TALKS

3.(C) Stratford and Chen agreed on the importance

of successful July 10-11 Trade and Investment Framework Agreement (TIFA) talks in Washington, with Stratford emphasizing Deputy USTR Karan Bhatia's readiness to facilitate a positive outcome. Chen indicated Taiwan's interest in using TIFA to address the expected impact of the U.S.-Korea FTA on Taiwan's competitiveness, and expressed the hope for rapid conclusion of bilateral investment, tax, and government procurement agreements under the TIFA framework.

4.(C) Stratford noted that the bilateral investment agreement (BIA) appeared to offer the best near-term prospects for negotiation, but added that a decision on whether or not to launch talks would depend in part on which sectors Taiwan proposed to exclude from the pact. Chen said that Taiwan planned to give the USG its proposed exclusions on June 15. Stratford hoped that both sides would be able to prepare a solid negotiating groundwork so that the July TIFA talks could conclude with a "strong" announcement on launching BIA negotiations.

5.(C) According to Chen, Taiwan's exclusion list will be relatively small. Stratford cautioned the Taiwan side against withholding some exclusions in the hope of including them in a future FTA. The U.S. and Taiwan must proceed with shared objectives, he stressed. Chen agreed with Stratford's recommendation. A BIA would benefit both sides, observed Stratford, and negotiations should proceed methodically, with no shortcuts.

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TAIWAN CONTEXT FOR TAX AGREEMENT

6.(C) Stratford noted that the USG is making serious efforts to consider the possibility of a bilateral tax agreement (BTA), although progress is not as advanced as the BIA. Prompted by U.S. business community concerns, Stratford wondered if Taiwan's relatively large number of prominent U.S.-Taiwan dual nationals would hurt a BTA's prospects in the Legislative Yuan. Chen replied that he had not heard of such concerns, and said that the issue would be unlikely to derail LY passage.

DIFFICULT U.S. ENVIRONMENT FOR BILATERAL GPA

7.(C) Stratford and Altbach outlined domestic U.S. considerations affecting trade agreement approval in Congress. Of the three proposed agreements, said Stratford, a bilateral government procurement agreement (GPA) would be the most difficult for the U.S., since Taiwan's lack of statehood would require implementing legislation that could open existing trade-related legislation to potentially unhelpful amendments. Stratford acknowledged Taiwan's domestic political concerns about treatment of the sovereignty issue in Taiwan's WTO GPA accession documents, but added that PRC ability to derail such an agreement is likely only to grow with time. Given the difficult negotiating environment for a bilateral agreement in the U.S., Taiwan may want to take a fresh look at the multilateral option. Chen said he would review the issue, but was not in a position to make a final decision.

STRATEGIES FOR RESOLVING CUSTOMS, PHARMACEUTICALS, AND BEEF

8.(SBU) Turning to the agenda for the July 10/11 TIFA talks, Chen said that Office of Trade Negotiations

Chief Representative John Deng will lead the Taiwan delegation in Washington. Stratford noted that Tyco is considering filing a 301 petition over its customs valuations case at the time of the TIFA talks, and urged that the issue be resolved as quickly as possible to avoid such a result. Chen replied that Tyco's proposal to pay back duties, without paying a penalty, appeared to be a good solution. He agreed to continue urging the Finance Ministry to resolve the case.

9.(SBU) As the meeting closed, Stratford and Altbach emphasized other USG TIFA priorities. On pharmaceuticals, Stratford urged Taiwan agreement that the standard contract would be implemented before the next price value survey (PVS). Stratford stressed the importance of adopting a science-based approach on beef imports. Taiwan should remove politics from the decision-making process, he stated, and follow established World Animal Health Organization (OIE) guidelines to reopen Taiwan's market to the full range of U.S. beef imports.

YOUNG